

CONFIDENTIAL

YOUR BEST SOURCE OF INFORMATION ABOUT THE BRAZILIAN COFFEE BUSINESS. THIS ISSUE:

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WATER STRESS DAMAGE TO CROPS

The long period without rains in the main Arabica coffee regions of Brazil has been detrimental to this year's crop, especially in Minas Gerais and in the Mogiana region of São Paulo, that together account for more than 70% of the total Brazilian Arabica production. This water stress caused lack of water in the soil and, consequently, trees with yellowish and dry leaves. Under conditions of forced ripening, the coffee cherries are passing straight from immature to over-ripe. The water deficit has also reduced the growth of new branches which will impact the next coffee crop.

Source: Procafé



TRUCKERS STRIKE AFFECTS COFFEE MARKET

The strike, which lasted one week, deeply affected the supply of fuel and food all over the country, specially São Paulo and Rio states, causing general problems related to logistics and transport. The strike has delayed coffee shipments and stopped coffee commercialization within Brazil.

Sources: Revista Cafeicultura and P&A

BRAZIL LEADS GLOBAL COFFEE PRODUCTION BUT LOSES REVENUE

Brazil is expected to harvest 58 million coffee bags in 2018, a record volume that is 29% higher than the past crop and 14% higher than the previous year of the positive biennial cycle. Although this confirms Brazil's leadership in production, it does not reflect on higher profits for growers because value addition occurs mostly at the end of the supply chain while costs step up for growers due to increasing demands related to sustainability and quality. CeCafé data shows that the country is exporting more differentiated coffees but at lower prices than before. The country does not advance in exports of roasted and ground coffee either while capsule imports increase; from January to April 2018, Brazil exported US\$ 4,24 million and imported US\$ 18,81 million of roasted coffee.

Source: Folha de S. Paulo Online

NEW APP HELPS IDENTIFICATION OF PESTS AND THEIR ENEMIES

Embrapa Agrobiology has developed the InNat Guide App to help coffee growers identify pests' natural enemies. Free and available on Google Play, the app offers tools that can minimize pests in crops through access to a gallery of images of 13 families of predatory insects, parasitoids and spiders. The images can be used by growers for comparison with insects collected in the field. The app also provides specific information about each natural enemy group and its role in the environment. The InNat Guide app offers info related to crops such as coffee, corn, soybeans, vegetables and others.

Source: CaféPoint



Embrapa 40

COFFEE WITH ETHIOPIAN FLAVOR TO BE PRODUCED IN BRAZIL?

Nestlé needs a specific taste of Ethiopian coffee to produce the entire line of Dolce Gusto capsules with coffees grown in Brazil. The Brazilian government authorized the company to test on a non-commercial scale three varieties developed at Nestlé's research center in France that replicate the quality of the Ethiopian Arabica required. The varieties were planted in an undisclosed location and the first harvest will take place this year. At least three more crops will be necessary to ensure that the quality of the product meets requirements before applying for Brazilian government approval for local farmers to grow such coffee commercially.

Source: Revista do Café

RECORD BARTER SALES AT EXPOCAFÉ

Expo café is one of the largest coffee trade fairs in Brazil and a major promoter of quality information and access to cutting-edge research and technological innovation among small growers. In 2018 it generated over R\$ 50 million (US\$ 13 million) in sales by the barter system and broke last year's record. The trade fair, organized annually by the Cooperative of Três Pontas (Cocatrel), had 160 exhibitors and attracted 12,000 people.

Source: CaféPoint

COFFEE TO BE PLANTED IN RESTORED DEGRADED PASTURELAND

The municipalities of Juruena and Cotriguaçu, in the Juruena River Valley of Mato Grosso state, have signed an agreement to restore over 182,000 hectares of degraded pastureland across both municipalities by 2023. This restoration will free up land to increase the sustainable production of milk, beef and other products such as coffee, cocoa and Brazil nuts. The IDH designed Compact Project goals are to increase coffee production by 500% in Juruena and by 300% in Cotriguaçu, while legalizing growers' land rights. The Juruena Valley plays an important environmental conservation role due to its extensive forest area, 85% of which is conserved.

Source: IDH

PILÃO LAUNCHES ALUMINUM CAPSULES

JDE owned Pilão, the leading coffee brand in Brazil, has launched a line of aluminum capsules to replace plastic ones as part of the brand's 40th anniversary celebrations. The new portfolio presents high quality Arabica and Robusta, 100% UTZ certified coffees in capsules compatible with Nespresso machines.

Source: Revista Cafeicultura

COFFEE BOTTLE WITH AWARD WINNING MICROLOT LAUNCHED

Orfeu launched 400 exclusive glass bottles filled with their 2017 Cup of Excellence (CoE) winning coffee lot to celebrate Brazil's National Coffee Day on May 24. The design of the bottle allows consumers to see the beans grown at 1,300 meters of altitude in South Minas and processed as naturals. The idea of the company is to show that top quality coffees are also offered in the Brazilian market and not only exported like most CoE winning lots.

Source: Café Editora



RECYCLING STILL A CHALLENGE FOR CAPSULE COMPANIES

With the ever growing consumption of coffee capsules in Brazil, companies have either created programs or established partnerships to recycle the used capsules in recent years. Nespresso, which arrived in Brazil in 2006, started its recycling program in 2011 and a recycling center in 2016. This helped the company to improve its numbers: 13% of capsules were recycled in 2017 against 6% in 2016, with 17% recycled in the four initial months of 2018. Nespresso works with collection points in its stores and partners that collect and recycle the material. Três Corações started its recycling initiative in 2017, with collection units spread in São Paulo city. JDE started its recycling system six months ago with a different approach whereby consumers send the used capsules via regular mail to the company with postage paid by JDE. Companies will have to work on more efficient ways to recycle their used capsules apart from relying on consumers to bring them to the collection units if they wish to meet their sustainability commitments in the near future.

Source: Veja magazine

Brazilian Prices

Main Producing Regions / Farm Gate

May 30, 2018

Arabica Naturals (R\$/ 60 kg bag)		Conilon / Robusta (R\$/ 60 kg bag)	
Cerrado MG	465,00 ↑	Colatina-ES fair average price	347,00 ↑
Mogiana	460,00 ↑		
South Minas	460,00 ↑		
Arabica Pulped Naturals (R\$/ 60 kg bag)		BM&F (US\$/60kg Arabica bag)	
Cerrado MG	505,00 ↑	Sep 2018	145,05 ↓
South Minas	500,00 ↑	Dec 2018	148,10 ↓
		Mar 2019	155,45 ↓
		Real R\$ / Dolar US\$	
		May 30, 2018	3,74 ↑

+ 9.8%

Source: www.qualicafex.com.br

THE ROLE OF NATIONAL SUSTAINABILITY CURRICULA IN ADVANCING SUSTAINABILITY

The Global Coffee Platform (GCP) has been developing National Sustainability Curricula (NSC) in the countries where it currently operates. These sets of good practices are currently in different stages of development in different producing countries.

The NSCs are developed in a collaborative process that involves not only key local stakeholders, e.g., public and private extension services and research institutes, but also verification/certification sustainability standards themselves and other relevant parties. This collaborative approach makes NSCs responsive to local needs and peculiarities and creates strong ownership for them. As a result they tend to be incorporated by the local extension services, cooperatives and coffee growers' associations, exporters, etc.

All stakeholders benefit from NSC's consideration of the standards of established certifiers/verifiers like Rainforest Alliance and 4C because NSCs are in public domain and growers who use them can make a separate, commercial decision to be verified or certified. NSCs provide the basis for good practices that benefit growers and therefore pave the way for verification/certification and facilitate the inclusion of smallholders who are harder to reach and to include in the process of improvement.

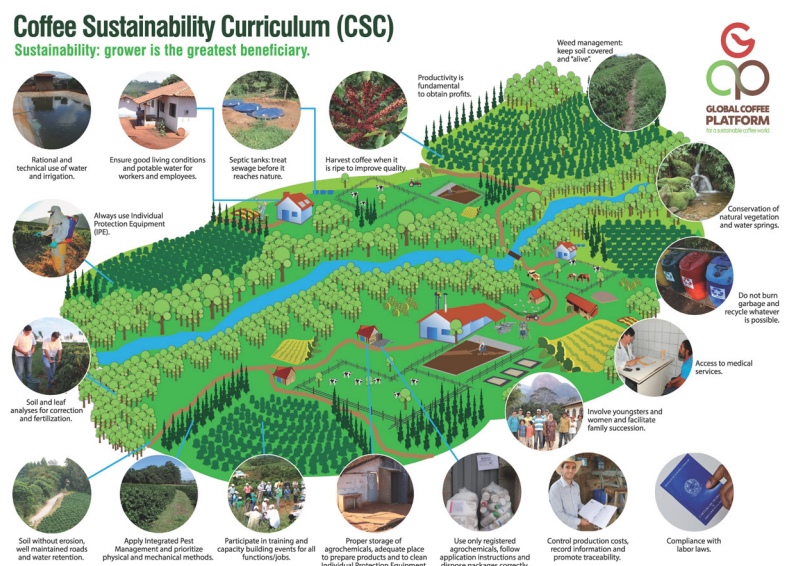
Another advantage of NSCs is that because they are built in a collaborative process that involves key local stakeholders and are owned by them, they help "unlock" resources that are available in these countries to advance sustainability, e.g.: personnel and vehicles of public extension services, local financing, and the technical training capabilities of coops and exporters. Where the local enabling environment is not available, the NSC may be a strong incentive for its development, e.g.: the creation of an extension service or farmer training facility.

Last but not least, NSCs have a unique ability to align the coffee supply chain in producing countries around common goals and a common sustainability agenda. This brings about synergy of actions, optimization in the use of resources and focused responses to overcome sustainability gaps that the NSCs themselves may help identify specially those affecting small holders.

The sustainability of small coffee growers is a major challenge be it to make them sustainable or to demonstrate that so they are. The examples of Brazil and Vietnam, where GCP has helped pioneer the development of NSCs, show that the curricula can be an important asset to expand sustainability even though Brazil is already known as the world's largest source of sustainably certified/verified coffees and Vietnam follows suit.

The recent conference "Global Sustainability Standards" held in Brazil by ISEAL Alliance discussed at length how to update the way sustainability is evaluated now and how it will be measured or tracked in the future. A proposal often mentioned derives from the so-called landscape approach and comprises a jurisdictional or regional view of sustainability. The NSC may be a major tool to help advance these concepts with the creation of "sustainable coffee regions" based on actual indicators and a dynamic scheme of continuous improvement and tracking. This is to be compared with a static black-and-white scenario of being or not sustainable, meaning meeting or not certain social and environmental in some cases also economic / farm management requirements.

A lot of work will have to be devoted to developing, testing, innovating and implementing these new concepts but NSCs can be important allies in the process and Brazil may be a useful life-scale model. The 86% of Brazilian growers who cultivate under 20ha (50 acres) of coffee account for 52% of the country's production. The majority of these growers do not belong to cooperatives or associations and are the hardest ones to reach with technical training and new concepts that go beyond the realm of agronomy, e.g.: management and social sciences. The Brazilian Coffee Sustainability Curriculum (CSC) and its 18 Fundamental Items, fully aligned with the UN's Sustainable Development Goals (SDGs), coupled with a jurisdictional approach of regional coffee regions lie on the path of making more small growers more sustainable in Brazil.



STATIC PREDRIER FOR SRE ROTARY DRIER LAUNCHED

The line of Pinhalense rotary driers has undergone a series of improvements in recent years including:

- more efficient fans to increase air flow and pressure and to decrease electric consumption;
- larger fans to shorten drying time without adverse impacts on coffee quality;
- larger heat exchangers to achieve the same objective above;
- more efficient husk feeding systems and
- divided drums to dry micro lots.

The most recent development, now being released, is a static predrier assembled over the SRE rotary drier where the overhead loading silo is usually located. In other words, Pinhalense enlarged the overhead silo and equipped it with a hot air distribution system to make it a predrier that unloads directly into the rotary drier.

Hot clean air is supplied by a fan that sucks it from a heating chamber created around the chimney to use heat that is usually lost, absorbed by the surrounding environment. The air that is injected along the bottom of the predrier is free from smoke that is discharged at the top of the chimney.

The static predrier can receive cherry or parchment coffee that would otherwise be loaded into the drying drum. The predrier will shorten drying time in the rotary drum by a few hours depending on the incoming moisture of coffee and the time it remains in the static drying chamber. No additional solid fuel is required.



Even though a static drier does not homogenize the moisture of incoming coffee, the SRE rotary drier will perform this task afterward. This will be the case even for lots that arrive with coffee presenting a good dispersion of moisture contents and that cannot be homogenized in a static drier alone.

The overhead predrier will be also a great asset in cases where the rotary drier is used in dry mills to complete drying or to homogenize uneven lots. Since drying time is short in these cases – a few hours –, the predrier will heat coffee that would otherwise have to be heated while in the drier drum.

In case a single source of heat – a boiler or a multiple-drier heat exchanger – is used to supply a battery of SRE rotary driers, this same source can feed hot air to the predrier perhaps in larger volumes to accelerate predrying. A specific radiator may be allocated to each overhead predrier in the case of a boiler or a specific hot-air pipe in the case of a multiple-drier heat exchanger.

This new “hybrid” drier system launched by Pinhalense brings together faster drying and energy conservation with full concern for coffee quality.

The overhead static drier can be supplied as a kit to be installed in the overhead silos of existing Pinhalense SRE rotary driers depending on the year of supply, size of drier and type of heat exchanger. Please contact the Pinhalense/P&A agent nearest to you or P&A for further details.